



D SQUARED Tax Strategies
Exponentially Creative Policy Services

KORE Industries
3408 South Riverside Ave
Rialto CA

ALLOW THE R&D TAX CREDIT AGAINST THE AMT

The top barrier for small and medium businesses taking the R&D credit is that the credit cannot be used to reduce the business owners' alternative minimum tax (AMT). This means, that a business owner of a pass-thru entity that is subject to the AMT cannot use the R&D credit to reduce her taxes. alliantgroup has found in reviewing tens of thousands of tax returns that 8 out of 10 businesses that would otherwise benefit from taking the R&D credit will receive little to no benefit from the R&D credit because the credit cannot be used to reduce AMT. Given that the vast majority of small and medium businesses are organized as pass-thru entities, the potential benefit of the R&D tax credit to encourage innovation and create jobs is greatly diminished.

The Senate Finance Committee made the right policy call in allowing the R&D tax credit to be taken against AMT in enacting the Small Business Jobs Act of 2010. We have seen first-hand that this simple change in the law has translated into providing significant benefit to thousands of small and medium businesses and helped create a small city worth of jobs. The only drawback is that this legislation was good for only one year -- 2010. alliantgroup encourages the Committee to make this common sense change permanent in its proposed legislation. We are pleased to note that the Senate Finance Committee also heard support from its witnesses at the hearing on September 20, 2011 for allowing the R&D tax credit against the AMT. The Committee also passed this provision in the Expire Act last year.

